

Blind Memo prepared for Ambassador
trip to Arg. by rights dept.
in May 1978

INR report

for Newsom Briefing Book
& for Kissinger

ARGENTINA: HUMAN RIGHTS AND BILATERAL RELATIONS

Argentine access to all US security assistance and military sales will be terminated on September 30 on human rights grounds. This is mandated by the Kennedy-Humphrey amendment to the current International Security Assistance Act. In the interim, human rights considerations will heavily influence the US response to pending Argentine requests for training and export licenses.

A current review of Argentina's human rights situation leads to the following conclusions:

- there is no consistent movement toward human rights compliance nor any real prospect for a rapid return to the rule of law;
- an apparent decline in the rate of disappearances since mid-1977 is the most significant positive trend;
- the "disappeared" issue will remain in the forefront, but Argentine officials will not be responsive;
- Argentine authorities understood that the counter-terrorist tactics adopted after the March 1976 coup would lead to human rights problems with the US;
- a combination of priority security concerns and internal political factors have inhibited human rights improvements, even given a much reduced terrorist threat;
- measure progress towards human rights compliance may follow the World Cup soccer games (June) and executive reorganization (August); but
- US actions, unsupported by other governments and private lenders and investors, probably cannot force rapid changes in the present situation.

Current human rights record. The 1978 human rights record of the military junta led by President Jorge R. Videla is demonstrably better, at least in quantitative terms, than it was in mid-1977. Serious violations still occur, however, raising questions about the significance of measures that Argentine officials insist be recognized as "fundamental improvements."

A balance sheet compiled on events as we know them since last November reveals no convincing evidence that a return to the rule of law is imminent. On the positive side:

- An apparent, although unverifiable, decline in the rate of disappearances has occurred since mid-1977. Both Embassy Buenos Aires and Argentine human rights activists believe that the rate has declined. If true, this is the most important development listed here.
- Over 300 prisoners were released in a Christmas amnesty. Subsequently, the government undertook serial publication (nine lists to date) of the names of the some 3,300 executive (state-of-siege) prisoners acknowledged as detained.
- The "right of option" program has been implemented, enabling executive detainees to petition for exile in lieu of continued imprisonment. Less than 50 prisoners have so far departed under this procedure, however.
- Responsive action has been taken on cases in which the US has expressed special interest, e.g., Jacobo Timerman, Guillermo Vogler, and the Deutchs.
- Attempts reportedly have been made by some security authorities to regularize detention procedures, return counterterrorist troops to normal military activities, and demilitarize the police.

On the negative side of the ledger:

- Disappearances continue, with one of the several security entities probably responsible in nearly every instance. Victims have included not only suspected terrorists but also labor leaders and workers, human rights advocates, scientists and doctors, members of radical political parties, and others whose specific vulnerability remains unknown.

~~SECRET/NOFORN/NOCONTRACT/EXDIS~~

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--A particularly disturbing incident resulted from the mid-December abduction by unidentified security personnel of 13 members of the Mothers of Plaza de Mayo, a group that pressures the government for information on disappearance cases. According to reliable Embassy sources, the bodies of seven of the group, including two French nuns, washed ashore earlier this year.

--There are five reasonably documented cases in which political prisoners were released and almost immediately assassinated, presumably by security officials.

--Official harassment of selected religious groups continues. The Jehovah's Witnesses have borne much of the brunt.

--Despite President Videla's professed desires, renegade security elements continue to operate with apparent impunity because they act with the toleration if not under the orders of some military officials. At least in cases involving suspected terrorists, clandestine arrest, torture, and summary execution are standard practices.

The improvements were undertaken at some political risk by President Videla and his supporters in official and military circles, because such measures are viewed by hardline officers as unacceptable concessions to Argentina's critics. Nonetheless, they are largely discretionary measures implemented to mollify foreign and domestic observers. They do not amount to a concerted, effective effort to halt fundamental abuses or revitalize the legal and institutional barriers that would prevent human rights violations in the future.

Problem of the "disappeared." Estimates vary widely, but at least several thousand people have disappeared since the March 1976 military coup. Security personnel have been responsible in most cases, and it is during illegal detentions and subsequent interrogations that the most egregious violations tend to occur. In mid-1977 there was some fear that the gradual reduction in the number of terrorist combatants would be followed by a sweeping and systematic effort to eliminate so-called "intellectual authors of terrorism" and others who, for whatever reason, ran afoul of military hardliners. To our knowledge, no such sweeping attack was initiated, although, as indicated above, non-terrorists representing a variety of sectors and interests have been abducted. Many are reported or presumed to be dead.

When serial publication of the list of acknowledged executive detainees is completed, a new dimension to the "disappeared" issue will emerge. The great majority of those allegedly abducted whose names are not on the completed list must be presumed dead. A few may have surreptitiously fled the country or be living underground, and some may still be detained. However, there seems little basis for rumors that thousands are being held in secret camps around the country.

When domestic and international groups and individuals demand an official accounting for the "disappeared", government spokesmen will almost certainly stick with the explanation already formulated publicly. This asserts that counterterrorist excesses have been responsible for a few disappearances, but the vast majority are traceable to other causes including undocumented exile, death at the hands of terrorist companions, and resort to underground existence. The domestic protest will be manageable from the government's viewpoint, because it will probably be limited largely to relatives and friends of the "disappeared". Most Argentines, while not condoning the carnage of the past two years and the preceding Peronist era, believe that terrorists are receiving their due and will want to put the "mistakes" suffered by non-terrorist victims behind them rather than prolong the ordeal. Foreign groups, including governments, that press for an accounting, may well find the Argentines arguing that more can be done in human rights terms by seeking to prevent future disappearances than by demanding explanations for past ones.

We should not accept this argument.

Source of bilateral friction. Argentina's human rights situation and its problem with the US stem directly from priorities obviously established by the military junta when it assumed power in March 1976. Almost no one in military or civilian circles questioned the need to halt the devastating political violence that characterized Isabel Peron's administration (July 1974-March 1976), and few demanded that the task be accomplished within the bounds of the law. The counterterrorist effort was viewed as a war, and security personnel judged their tactics by their expediency rather than their legality. There can be no question that government authorities tolerated the resulting human rights abuses and understood, within months of taking power, that there would be adverse consequences for Argentine-US relations.

Warnings concerning the likely US response to human rights abuses were issued to high military officials by Embassy Buenos Aires officials before the March 1976 coup, and the US public and private posture stiffened with the inauguration of the Carter administration. The Argentine leaders, however, had

simply decided that elimination of the terrorists was more important than maintenance of close relations with the US. They appear to have concluded that so long as the abuses in the countersubversive campaign did not provoke intolerable levels of internal opposition or block access to sources of public and private international financing and investment or non-US sources of military material, Argentina could, however regrettably, forego US friendship and survive US sanctions. Once the counterterrorist emergency was past, bilateral relations would improve. In the meantime, Argentina would request US patience and understanding, react to sanctions in a dignified, restrained manner, try to isolate the negative impact of the human rights issue from other aspects of bilateral relations, and make concessions on human rights only when they did not inhibit the counterterrorist effort. Also operative may have been the belief that Argentina's potential as a nuclear proliferator would make it impolitic for the US to completely alienate the country. Whether originally conceived in this manner or not, this is how the Argentine strategy has worked out.

Present restraints on improvements. With the terrorist threat reduced by roughly 90 percent, the question becomes one of why the Videla government has not responded with more rapid and consistent human rights progress. Security factors continue to provide part of the explanation:

--Several hundred terrorist operatives remain active, and the military's commitment to eliminate them to the last man has not been altered. There is no "hardline-moderate" schism on this issue. Officers disagree on targeting non-terrorists and a variety of other questions, but not on the treatment of hardcore terrorists.

--The World Cup soccer games in June will expose Argentina to world scrutiny over an extended period, and Argentine authorities can be expected to take every security precaution, legal or otherwise, to ensure against terrorist disruption. According to a reliable clandestine source, army generals decided in late March that, in light of the Cup competition, security elements would continue to use the same counterterrorist tactics employed over the past two years. Our current information on terrorist plans indicates that they will avoid spectacular violence that would endanger fans and participants and concentrate on attempts to provoke security personnel into repressive acts that would receive worldwide publicity.

The dynamics of domestic politics also inhibit human rights improvements, and it is in this respect that the "hardline-moderate" dispute becomes significant. Videla, his closest military adviser, General Robert Viola (Army Chief of Staff), and their supporters (the "moderates") would prefer to end human rights abuses, at least insofar as non-terrorists are being victimized. Powerful corps commanders such as Generals Carlos Suarez Mason, Corps I, Buenos Aires, and Benjamin Menendez, Corps III, Cordoba, (the "hardliners") are less scrupulous about dealing with a broad range of suspected leftists and government opponents. While this is the major disagreement in terms of human rights, differences within and among the three services also exist on other important issues such as economic policy, labor legislation, and the nation's return to civilian rule. Since the principal actors do not always line up in the same way that they do on the human rights issue, the result is a complex maze of military interest groups and personality cults. Such has traditionally been the case with the Argentine armed forces, and it is not necessarily a destabilizing situation unless disagreements are allowed to escalate into irreconcilable questions of principle or personality. Videla's primary task, therefore, becomes one of maintaining the viability of military rule by preserving armed forces unity and cohesion rather than homogeneity. He has not forced a human rights showdown with powerful army figures like Suarez Mason and Menendez because he probably believes that it would seriously threaten military unity and thereby endanger the very existence of his government and the success of the military's post-Peron reconstruction program.

Much has been made of the struggle between Videla and Navy Commander Emilio Massera who has tried to portray himself to some US authorities as a human rights advocate rendered powerless by army hardliners. The admiral's self-proclaimed human rights sensitivities did not prevent naval subordinates from committing abuses in their counterterrorist efforts. Massera's human rights machinations along with his public criticism of other government policies are matters of political convenience designed to promote his presidential ambitions. He has been an irritant to Videla, but the fact remains that the army is by far the dominant armed service, and its generals are unlikely to desert Videla to further Massera's personal cause. In fact, it can be argued that Massera has survived as navy commander precisely because he has avoided an open confrontation with Videla of sufficient gravity to force one or the other of them out of power.

A third factor currently militating against dramatic human rights improvements is the availability of alternate suppliers

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of what Argentina wants most from the US--military equipment, parts, and training. West European suppliers are competing for Argentina's arms dollar, offering training and equipment sufficient to cover the nation's needs. Argentina's military brass would clearly prefer to buy what they want in the US, but they are content to buy European rather than pay the human rights price demanded by the US.

West European governments have not been inclined to terminate military sales or apply economic sanctions on human rights grounds, even though they also have nationals listed among the "disappeared" in Argentina. For example, in retaliation for Argentina's failure to explain the disappearance of two French nuns abducted last December, the French government withdrew two prestigious but essentially meaningless training slots. Argentine equipment purchases have not been prohibited.

Finally, corrective measures have probably been discouraged by certain self-serving perceptions of the nature and success of US human rights initiatives. Comment from official and media sources reveals the belief that:

- the "failure" of the Belgrade Conference exposed the ineffectiveness of the US policy with respect to its primary target, the Soviet bloc, and therefore is a harbinger of a less aggressive US stance in the future;
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- the US has acquiesced, or at least agreed to disagree, in the face of Brazil's tough bilateral posture on human rights.

Some progress possible. Completion of the World Cup games, the inauguration of Videla's presidency as a retired officer (August 1), and the selection of new service commanders/junta members may create a climate more conducive to human rights compliance. A rapid transformation is unlikely, however. US pressure alone, unsupported by other governments and private lenders and investors, is unlikely to carry decisive weight with the Argentines.

*In individual cases (eg. TIMMANN)
+ right of option, we do have effect.*

Drafted: JNR/RAR:JEBuchanan

5/17/78

Approved: Hunter L. Estep

*Quite negative!
Buchanan
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RE*

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5/17/78
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ARGENTINA: THE FLOW OF VIOLENCE

Paradoxical as it may seem, Argentina today is enjoying one of its most peaceful interludes in nearly a decade. Since the late 1960's, left and right-wing terrorism and countermeasures by security personnel have exacted a devastating toll in lives and property.

Terrorism vs. military rule - 1969-1973. The immediate origins of the current political violence lie in the late 1960's emergence of terrorist opposition to the Ongania military government. A variety of groups reflecting different ideological hues took the field. The two most dangerous and long-lasting were:

- the People's Revolutionary Army (ERP), a Trotskyite group relatively limited in numbers but extremely efficient; and

- the Montoneros, nominally Peronists but devoted to revolutionary left dogma.

From the late 1960's until the military's exit in favor of a Peronist government in March 1973, the terrorists trained their fire on police and military personnel, government officials, and businessmen. The latter targets were kidnapped and ransomed for the millions of dollars that sustained terrorist activities.

Peronist interregnum - 1973-76. Juan Domingo Peron's resumption of power after 18 years in exile brought a gradual rise in political violence. After his death on June 1, 1974 and replacement by his widow, Isabel, matters worsened dramatically. In the three years after March 1973, an estimated 2,000 people lost their lives in what became a left wing-right wing vendetta. In the three months before the March 1976 military coup alone, at least 175 lives were lost.

~~SECRET/NOFORN/NOCONTRACT~~

During this period, the ERP and Montoneros together with smaller groups could field thousands of combatants. They undertook full-scale assaults on military bases and arsenals. The best protected businessmen in the country were kidnapped and ransomed, in one case for an estimated fifty million dollars. Military and security officials were assassinated at random.

On the right, the notorious Argentine Anti-communist Alliance (AAA) emerged in 1974. It is still something of a mystery. It probably was run by Mrs. Peron's feared confidant, Jose Lopez Rega, and included off-duty policemen and labor goons as operatives. Unwilling or unable to get at terrorist leaders, the AAA concentrated on leftist intellectuals and political/labor opponents of Mrs. Peron and Lopez Rega.

Official counterterrorist responsibilities before March 1976 were shouldered mainly by the police. The Peronist government was not anxious to cede responsibility to a basically anti-Peronist military establishment. The generals, on the other hand, tolerated the deteriorating security environment in the hope that it would hasten the departure of Mrs. Peron and totally discredit Peronism as a political force.

Younger military officers undertook individual actions against leftist targets out of personal or political revenge. However, the armed forces did not assume institutional counterterrorist responsibilities until February 1975 when a limited operation was begun in the Province of Tucuman.

Military rule - 1976-78. Since the military junta headed by President Jorge R. Videla assumed power on March 24, 1976, there has been a dramatic reduction in the level of political violence. Aside from a temporary resurgence of terrorist activity in October 1976, the pattern has been one of a steady decrease in terrorist capabilities. Currently, the ERP probably has fewer than 25 combatants inside Argentina, and the Montoneros about 300-350. Their activities are largely confined to the southern, industrial zone of Greater Buenos Aires.

The counterterrorist effort has been a massive, combined effort of police and military forces. Brutal tactics on both sides have been commonplace, particularly in the first months after the coup. A brief sampling of events in 1976 makes the point:

- between March and August, military and police officers were assassinated at an average rate of one every day;
- in the course of the year, 16 Argentine managers of US firms were murdered; 14 were kidnapped;

- on June 12, 24 refugees were abducted, beaten up and subsequently released; refugees fled Argentina at the rate of 250-300/month all year;
- on June 18, the Federal Police Chief was murdered by a bomb placed in his bed by his daughter's best friend;
- on July 2, a bomb blast in Federal Police Security Headquarters killed at least 20 and injured scores; apparent right-wing retaliation came on July 3 with the discovery of 15 bodies strewn about the city and July 4 with the murder of five priests;
- on August 20, 30 mangled bodies of suspected terrorists were found in the suburb of Pilar; the act was apparently in retaliation for the murder of a retired general;
- on October 2, President Videla narrowly escaped assassination at an event held on the grounds of a major military facility;
- on October 7, a bomb blast in a military club cinema injured about 50 officers and family members;
- on December 16, a blast in a Defense Ministry movie hall killed at least 14 and injured 30; and
- by year's end, conservative estimates placed the number of dead at 1,500.

By late 1976, the ERP was all but destroyed and the Montoneros were crumbling under the counterterrorist pressure. Major operations such as those undertaken before March 1976 were no longer possible. Aside from two more attempts on Videla's life (February 18, 1977; June 20, 1977), only two "spectaculars" have been staged since 1976:

- the May 7, 1977 attempted murder of Foreign Minister Guzzetti; and
- the April 11, 1978 assassination of an Economy Ministry official.

In the last 18 months, terrorist activity has consisted primarily of bombings and attacks against such "soft" targets as unprotected businessmen, government officials, and retired officers. The incidence of even these low risk operations has

declined. During the week of March 24, 1977, 158 bomb attacks occurred in the Buenos Aires area alone. In the month of April 1978, there were only about 10 bombings reported in the entire country.

Violence from the security forces has taken on subtler forms than the August 1976 Pilar massacre. Staged shootouts and "disappearances" have been two of the standard tactics employed. Several thousand people have been reported missing since the March 1976 coup. Most were probably taken by one of the security entities and must be presumed dead.

Possibilities during the World Cup. Argentine officials fear a resurgence of terrorist violence during the World Cup soccer competition (June 1-25). Exhaustive efforts are being made to prevent a Munich-style disaster. At this point, it seems unlikely that the Montoneros or the ERP would indulge in such politically counterproductive tactics. Rather, they will probably try to provoke repressive police action through reasonably innocuous measures such as distributing propaganda, interrupting communications and transportation facilities, and initiating demonstrations in or near stadiums.

Drafted by: INR/RAR:JEBuchanan:blap
5/18/78

Approved by Hunter L. Estep

~~CONFIDENTIAL~~

Newsom
Instructions - Book
May 17F

ARGENTINA

You are visiting Argentina at a critical moment in both its troubled post-war history and in its relations with the United States. This is a time when Argentina has all but annihilated a serious terrorist threat with the loss of probably a few thousand lives and a time when there is a world outcry over the almost total disregard for human rights which the security forces have, and to some extent, still exhibit. Argentina must take steps to enhance its reputation and it must also address the very serious economic problems which the government has failed to overcome. The inflation rate may reach 180% in 1978, the world's highest.

While the present Argentine Government has been unusually friendly to the United States, its human rights practices have led the Administration and Congress to adopt an increasingly hostile attitude. Our relations are at a crossroads. Under Secretary Newsom visited Buenos Aires in May in an effort to impress upon President Videla and other senior leaders that we attach high value to our relations with Argentina but cannot effect a change for the better without human rights improvement there. If our relations cannot be repaired, as seems very possible with the upcoming entry into force of the Kennedy/Humphrey embargo on new commercial arms sales and security assistance as well as human rights restrictions in the IFIs and Eximbank, the price will be high for the United States:

--- Militarily, we will be setting aside a quarter century of defense cooperation that replaced Argentina's World War II connections with the Axis powers. New ties with France and West Germany, who are more than ready to sell new equipment to the Argentines, seem inevitable. This will result probably in the entry of more sophisticated weaponry into South America than exists at present. It will also spur Argentine efforts to achieve munitions self-sufficiency and arms exports.

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- Economically, we could lose perhaps \$800 million in export orders over the near term if we add over \$500 million in pending Export-Import Bank applications to lost arms business. (A pending Harkin Amendment would deny Eximbank financing to human rights violators).
- Politically, an anti-American Argentina might encourage the formation of a southern cone bloc of anti-human rights states, including Uruguay, Paraguay, and Chile.

On the other hand, if we ignore Argentina's undeniably abusive human rights practices, we could set back the progress we have made in Latin America in encouraging greater respect for personal rights and elections.

The dilemmas we confront in Argentina are evident. Your own visit will be very important to the Argentine military and personally to President Videla. Your presence with them will be viewed as public support. Whatever you can do in your private conversations, however, to encourage an end to human rights abuses will be very important to the future of our relations. Should such abuses end, we will respond in turn by easing our policy.

Argentina.

Argentina is Latin America's most European state. Its highly literate population of 26 million is Latin America's best trained. The first Latin American state to build a nuclear reactor (1958), it is the first "Third World" state to ship a reactor to another country - to Peru in 1978. It is also a major source of personnel for the International Atomic Energy Agency. In agriculture, its potential remains vast. It is already the fourth largest wheat exporter in the world as well as the fourth largest cattle producer.

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Recent history.

At the time of the military takeover in March 1976 the civilian government of Maria Isabel Peron had disintegrated. Fanatical groups of leftist and rightist terrorists fought pitched battles, the country was nearly bankrupt and inflation exceeded an annual rate of 600%. Order has been imposed but at a heavy price in terms of human rights.

The Government.

The three man Junta which came to power in 1976 will be modified when Army Commander and President, Lt. General Jorge Videla, retires on August 1. He will remain as President but his place on the Junta will be taken by an active duty officer.

The questions of Videla's military successor and Videla's power are divisive ones. The ambitious Navy Commander, Admiral Massera, wants to circumscribe Videla's powers, and appears to favor an Army hard-liner on the Junta. Massera himself will retire soon and has his lines out to civilian politicians and labor leaders in a clear bid for the Presidency at some future date. Massera, who distinguished himself as a tough counter-terrorist, is now championing human rights. Massera has also been a vocal advocate of Argentine nationalism, seeking to challenge Chile militarily over the disputed Beagle Channel and ordering his ships to fire at poaching Soviet trawlers.

President Videla projects a cautious image, being a man who likes to act by consensus within the army rather than risk dissension within his own ranks at a time of struggle. Civilian politicians and Church leadaders tend to look upon Videla as a moderate man whose objective is to restore democratic rule.

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Political Parties

The political parties, whose activities were suspended when the Junta came to power, have shown little effective resistance to the military government, partially because they had discredited themselves before March 1976, but also because they have few attractive candidates or issues to offer the voters. The Peronistas, a mass based working class party, won over 50% of the vote in the last election in 1973, but are divided over who should inherit Juan Peron's mantle. The middle class Radicales are making some effort to arouse public interest through high level meetings and press releases, but seem to have made little real impression on the country.

In the next few years, there appears little possibility of a return to civilian rule, provided the Junta is able to bring about improvements in the economic lot of major sectors of the population.

Economics

Although economic performance has improved markedly under the Junta from the chaotic pre-revolution conditions, serious problems remain.

The government has built up foreign exchange holdings of \$4 billion, increased exports to over \$5 billion annually, balanced the budget and held unemployment to 4%. What the government has not been able to do is reform the industrial sector, stabilize growth (GDP rose 7% in the third quarter of 1977, but fell 7% in the first quarter of this year), or control inflation, which is now running over 11% per month. Inefficient industry and runaway inflationary expectations are the main obstacles to private enterprise oriented Economy Minister Martinez de Hoz's plans for economic recovery. Given credit for the economic progress made by the Junta, the Minister is in danger of losing his military backing if the situation does not improve soon. Most serious

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is the decrease in the workers' living standards. Real wages have declined by 20-25% in the last two years and worker discontent is increasing. Should the Minister go, his economic policies might be modified to fit the "populist" demands of the workers.

The United States has \$1.4 billion in investments in Argentina and \$3 billion in loans from U.S. commercial banks. U.S. companies and banks have shown interest in Argentina, but are waiting to be assured that the country is politically and economically stable before making long term investments or significantly enlarging loan exposure. The U.S. has traditionally enjoyed trade surpluses with Argentina. 1977 U.S. exports to Argentina were \$383 million. The Argentine trade deficit with the U.S. for the First Quarter of 1978 is \$42 million.

Terrorism and Human Rights

Organized terrorist movements have been largely brought under control. The once powerful Montonero revolutionaries and the Trotskyite People's Revolutionary Army (ERP) have been decimated. In their heyday in 1975, they murdered at random and extracted huge ransoms in exchange for kidnapped businessmen. The American business community, which numbered approximately 1,200 in 1973, plunged to 50 business representatives in 1975. It now stands at somewhere over 100. While assassinations and bombings attributable to the left do occur occasionally, most violence now stems from the security forces and sometimes is caused by rivalries among contending government factions.

The human rights situation remains bleak. While the government at long last acknowledged in February that it is holding 3,300 prisoners without charges, there has been a reluctance to free or charge such prisoners. There is some hope that after the World Cup the government will resolve the

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prisoner question, either releasing, charging or exiling political detainees. The unanswered questions surrounding the fate of thousands of disappeared individuals must be dealt with. Families do not know whether next of kin have died or not. No one knows how many summary executions took place or how many prisoners might remain under secret detention, cooperating with the authorities. Charges of torture and prisoner mistreatment continue to be heard but the presence of the Red Cross has led to improvements. Perhaps the most urgent action is for the Argentine Government to put an end to the practice of secret arrests or disappearances. This would contribute greatly to an ending of torture and executions.

While charges of anti-semitism have been leveled against the Argentine Government, this is not their policy. The 350,000 member Jewish Community in Argentina is Latin America's largest; it appears fairly secure. Their greatest fear is that one of the hardline, Nazi style generals might unseat Videla and then anti-semitism might well be a problem.

Foreign Affairs

The U. S. is the country which presents the most significant challenges for the Argentines. They are deeply disturbed by our conditioning of weapons sales and IFI loans on their human rights performance, and may be on the verge of making basic decisions to reduce their ties to us. There has been concern that the very favorable (\$250 million estimated in 1977) trade balance with the USSR may cause that country to gain some of the sales the U.S. may lose. A specific example is the \$200 million worth of generators which may be turned down for financing by the Ex-Im Bank. The Russians would have a good chance for the contract if U.S. companies drop out.

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The Argentines are fully aware that the Export-Import Bank is holding up financing on \$525 million in U.S. exports, including three Boeing 727's and two 747's. The Argentine Government tends to blame the Department of State for the Ex-Im delays although no final decision has been made on this matter pending Congressional action on Ex-Im legislation.

The Beagle Channel dispute with Chile over rights to South Atlantic waters is now being negotiated. The Argentines, who rejected an international arbitration ruling favorable to Chile, have made warlike noises about the Channel, but for the time being appear willing to continue talking with the Chileans. Another territorial dispute, this one with the U.K. over the Falkland/Malvinas Islands, is also being discussed bilaterally, with no easy solution in sight. The U.S. has avoided becoming involved in either disagreement.

Argentine Military Production Capability

Argentina and Brazil are the only important producers of military equipment in Latin America. Largely self-sufficient in small arms, Argentina also produces its own armored vehicles and a counter-insurgency aircraft.

ATTACHMENTS:

- Tab 1 - ARA paper on Terrorism and Human Rights: Positive and negative signs.
- Tab 2 - INR paper on "The Flow of Violence."
- Tab 3 - INR paper on "Human Rights and Bilateral Relations."
- Tab 4 - HA paper on "Torture and Disappearances."
- Tab 5 - ARA Human Rights Chronology.
- Tab 6 - ARA paper on "Nuclear Affairs."
- Tab 7 - PM paper on "Argentine Nuclear Policy."

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Tab 8 - Listing of Export-Import Bank Projects.

Tab 9 - U.S. Trade and Domestic Interests.

Tab 10- Biographies: Raul H. Castro, American Ambassador ; General Agosti, Air Force Commander; Mariano Grondona, Political Writer; General Harguindeguy, Minister of Interior; Jose Martinez de Hoz, Minister of Economy; Admiral Massera, Navy Commander; Admiral Montes, Foreign Minister; General Videla, President of Argentina; Roberto Viola, Army Chief of Staff, Ricardo Yofre, Presidency.

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